



**DEPARTMENT OF REVENUE**  
Property Tax Division

**PERSONAL PROPERTY MANUAL**

Chapter 5

**Special Properties**

Effective: January 1, 2005

## **CHAPTER 5**

# **SPECIAL PROPERTIES**



Certain types of personal property are subject to special valuation or assessment procedures due to the nature of the property or because special legislative procedures have been adopted. This chapter contains information pertaining to various kinds of personal property that are in those special categories.

### **AIRCRAFT**

Aircraft registered for operation in Arizona, including commercially operated balloons and gliders, are subject to registration by the Arizona Department of Transportation, Aeronautics Division, as well as to a license tax administered by that agency. The license tax is in lieu of all property taxes on such aircraft. The license tax does not apply to regularly scheduled aircraft operated by an airline company for the primary purpose of carrying persons or property for hire in interstate, intrastate, or international transportation. Those aircraft are valued by the Arizona Department of Revenue, Centrally Valued Property Section, pursuant to A.R.S. § 42-14252. Personal property other than the aircraft of airline companies, such as ground support equipment, office and ticket counter equipment, and furniture, is subject to valuation by the County Assessor of the county in which the property is located.

### **ANIMALS - EXEMPT**

Livestock, poultry, aquatic animals, and honeybees, if owned by a person who is "principally engaged in agricultural production," are exempt from property taxation pursuant to Article IX, Section 13, of the Arizona Constitution. See A.R.S. § 42-11126.

### **ANIMALS - TAXABLE**

All animals that are used for commercial purposes and that are not held for sale in the normal course of business are taxable. All such animals are valued at market value. Refer to Valuation Table 8 for the values of certain types of animals if their market value is unknown.



The following two questions may help to identify the status of an animal as being taxable or property tax exempt:

1. Is the owner principally engaged in agricultural production? If so, all livestock, poultry, aquatic animals and honeybees owned by that person are exempt.
2. If the animal is not exempt, as per question number 1, is the animal used for commercial purposes? If the answer is yes, the animal is subject to valuation and assessment for property tax purposes.

The following examples demonstrate these concepts:

- A. A greyhound dog that is actively used as a racing dog is taxable, as the animal is used for a commercial purpose. However, when the animal is no longer used as a racing dog and is adopted into a private home (i.e., it becomes a pet), the dog is no longer considered taxable.
- B. A rancher breeds and raises horses. The raising and breeding of horses by the rancher is considered to be an agricultural activity, and therefore, the horses are property tax exempt. If, for instance, the rancher sells a horse to a business that provides trail rides, or to a licensed hunting guide providing pack animals, the horse then becomes taxable. However, if a horse is sold to an individual who keeps the horse only for personal recreational use, the horse is not taxable.
- C. Animals owned by a circus or a private zoo are taxable. Animals owned by an exempt entity (e.g., The Phoenix Zoo) are tax exempt.

## **ARTWORK AND DECORATIVE ACCESSORIES**

Commercially-owned artwork and decorative accessories, including items such as paintings, pictures, statuary, vases, plants, and other decorations are valued according to Valuation Table 1 with a ten-year life. Fine art held for investment purposes is valued at 100 percent of cost.



## **BILLBOARDS (OUTDOOR ADVERTISING SIGNS)**

Billboards are valued according to Valuation Table 8. Additional statutory depreciation does not apply to billboards. The value of billboards does not include the value of the site.

## **CABLE TELEVISION**

Cable television systems are valued using the same methods as other personal property. Total acquisition costs reported by the owner are modified by applying the appropriate trended valuation factor to arrive at the full cash value. Valuation factors are included in Chapter 10, Personal Property Valuation Tables.

Cable television companies may span a region that encompasses more than one tax area. Therefore, when valuing the property, care must be taken to insure that separate values are computed for each tax area. To insure that this is accomplished, a separate worksheet should be used for each tax area code.

The types of equipment to be valued and assessed for a typical cable television company include service and test equipment, studio and local origination equipment, head-end equipment and towers, microwave equipment, distribution systems, deferred system costs, construction machinery and equipment, office furniture and equipment, tools, materials and supplies, and leasehold improvements. Use Valuation Table 1 for the valuation of distribution systems with a ten-year life, and Table 1 with an eight-year life for head-end equipment. Use Table 1 with a twelve-year life for receiving antennas.

## **COMPUTER-DRIVEN EQUIPMENT**

Computer-driven equipment falls into the following two categories, with each one requiring separate valuation techniques:

1. **Computerized Equipment.** This category includes machines that are controlled by computers where the computer is sold as a separate unit from the machine and can perform multiple functions exclusive of the machine. The computer equipment has the same expected life as similar computer equipment and the machinery has an



expected life that is assigned to its specific industry. Examples that may meet the definition of computerized equipment are computerized machine lathes or computerized assembly machinery. This type of equipment should be valued in two components: (a) that of the free-standing computer system component; (b) that of the equipment component.

2. **Computer Numeric Controlled (CNC) Equipment.** This category includes machines that are controlled by an internal computer. The machinery cannot operate without the computer and the computer cannot perform functions outside the machine. The machinery and computer are sold as a single unit. The components of the system are an integral and structural part of the equipment itself, and it is not economically or operationally practical to replace the system without replacing the entire piece of machinery. Computer numeric controlled machinery has the same industry-specific life as other machinery used in the same industry.

## **COMPUTERS AND COMPUTER EQUIPMENT**

"Information systems" means computers and their peripheral equipment that are used in administering normal business transactions and the maintenance of business records, their retrieval, and analysis. Information systems are defined as:

- **Computers:** A computer is a programmable, electronically-activated device, capable of accepting information, applying prescribed processes to the information, and supplying the results of these processes with or without human intervention. It usually consists of a central processing unit containing extensive storage, logic, arithmetic, and control capabilities. Excluded from this category are adding machines and electronic calculators.



- **Peripherals:** Peripheral equipment consists of the auxiliary machines which are designed to be placed under the control of a central processing unit. Peripheral equipment includes, but is not limited to, card readers, card punches, magnetic tape feeds, high-speed printers, optical-character readers, tape cassettes, mass storage units, paper tape equipment, keypunches, data-entry devices, teleprinters, terminals, tape drives, disc drives, disc files, disc packs, visual image projector tubes, card sorters, plotters, and collators. Peripheral equipment may be used either on-line or off-line.

For valuation purposes, information systems as defined above, including both computers and peripheral equipment, are assigned a four-year life, per Valuation Table 5 in Chapter 10.

**Note:** Not included in the term "information systems" is any equipment that is an integral part of other capital equipment and which is included in other categories of equipment.

As examples: computers that are essential to operate computer numeric controlled (CNC) machinery; computers used primarily for process or production control, switching, channeling, and automating distributive trades and services; point of sale (POS) computer systems; or duplicating and copying equipment. Equipment that is used primarily for the amusement or entertainment of the user, such as a video arcade game, is also not included in the term information systems.

### **CONSTRUCTION WORK IN PROGRESS (CWIP)**

Construction Work in Progress (CWIP) is an account used in the accounting records of a company, where the various costs of construction are accumulated to record the costs of materials and parts, the labor cost of installation, and the overhead expenditures on certain projects under construction, such as facilities, or machinery and equipment assembly and installation.



Pursuant to A.R.S. § 42-15065, CWIP shall not be assessed by the County Assessor until it has progressed to a sufficient degree for that personal property to be useful in the purpose for which it was constructed. CWIP is defined as the amount spent and entered as CWIP on the taxpayer's records as of the last day of the preceding year.

### **ENVIRONMENTAL EQUIPMENT**

Environmental equipment means the acquisition or construction cost of equipment and fixtures designed and constructed solely for control, reduction, prevention and / or abatement of discharges or releases into the environment of gaseous, liquid or solid substances, heat or noise, or for the control, reduction, prevention or abatement of any other adverse impact of an activity on the environment.

Environmental equipment generally takes on the same life as the property to which it is attached or with which it is associated. For example, if air scrubbers are installed as part of a ventilation system, the scrubbers would take on the same life as the ventilation system. An exception would be where the environmental equipment or fixture had an expected life independent of the equipment to which it was attached or associated. In that case, it is necessary for the taxpayer to demonstrate that the expected life of the environmental equipment or fixture is independent and different from the associated equipment.

### **IMPROVEMENTS ON POSSESSORY RIGHTS (IPRs)**

Improvements on possessory rights, also referred to as IPRs, are buildings, structures or other improvements located on land not owned by the owner of the improvements. These may be located on either taxable land or may be located on tax exempt land in which the owner of the improvements has a leasehold interest. Improvements on possessory rights are valued in the same manner as all other improvements, utilizing the Construction Cost system, where applicable.



Pursuant to A.R.S. § 42-19003, improvements on unpatented land, mining claims, or state land shall be valued as personal property on the Personal Property Tax Roll.

The legal classification of improvements on possessory rights are determined by current use, unless the improvements qualify for assessment in Legal Class Nine. As examples, improvements on possessory rights may be located on:

- Taxable land, or
- Tax exempt land, where the improvement does not qualify for assessment as Legal Class Nine property, or
- Tax exempt land, where the owner of the improvement has a leasehold interest, and the use of both the land and improvement qualify the improvement to be classified as Legal Class Nine property with a one percent assessment ratio.

If IPRs are on taxable land, those structures should be assessed on the Real Property Tax Roll. If IPRs are located on tax exempt land, they should be listed on the Personal Property Tax Roll. In those cases, the improvement value will be calculated each year and entered manually on the Personal Property Tax Roll.

Legal classes and assessment ratios are found in A.R.S. §§ 42-12001 through 42-12010 and A.R.S. §§ 42-15001 through 42-15010, respectively. A.R.S. § 42-12009 provides a description of the requirements for an IPR to qualify as Legal Class Nine property.

### **LEASE-PURCHASE**

A lease-purchase agreement for business personal property is one in which the lessee may acquire ownership of the leased property during the term of the lease or at its conclusion, usually with the lease payments applied toward the purchase price.

The fact that the lease contains an option to buy the property does not, in itself, make it a lease-purchase agreement. Personal property taxes for all leased equipment should be assessed to the lessor of record.





According to the Generally Accepted Accounting Principles (GAAP) Guide, there are two types of leases: capital leases and operating leases. Equipment leased to a business (the lessee) under an operating lease is carried on the books of the lessor, who is considered to be its owner. A capital lease is one that transfers, substantially, all of the benefits and risks inherent in the ownership of property. These leases are also referred to as "sales type" or "direct financing leases." All other types of leases are referred to as operating leases.

To qualify as a capital lease, and therefore, to be classified as a transfer of ownership, at its inception the lease must meet one or more of the following four criteria:

1. By the end of the lease term, ownership of the leased property is transferred to the lessee.
2. The lease contains a bargain-purchase option. (A bargain-purchase option is a lessee's option to purchase the leased property at a sufficiently low price that makes the exercise of the option almost certain.)
3. The lease term is substantially (seventy-five percent or more) equal to the estimated useful life of the leased property.
4. At the inception of the lease, the present value of the minimum lease payments, with certain adjustments, is ninety percent or more of the fair market value of the leased property. Fair market value is the price the leased property could be sold for between unrelated parties in an arm's length transaction.

All leased equipment should be assessed to the lessor regardless of who pays the taxes. Any unpaid taxes on personal property are a lien against both the property and the owner. The lessor can pass the taxes through to the lessee if the lease provides for it.

### **LEASED EQUIPMENT AT CENTRALLY VALUED LOCATIONS**

Based on Attorney General opinion 180-110 issued June 24, 1980, personal property leased by a utility, mine, or railroad and that is used as part of the operating property of the utility, mine, or railroad should be valued by the Department. As a result of this opinion,



centrally valued taxpayers are required to report all leased equipment that is used in the operation of their business to the Department of Revenue for property tax purposes. Therefore, any such property should not be valued by the Assessor.

All information filed by taxpayers with the Department is confidential under A.R.S. § 42-2001. Starting with the 1999 valuation year, centrally valued taxpayers were requested to waive their confidentiality rights on the issue of leased equipment. The Department shares this information with the Assessors in order to insure that the leased property is not being assessed to both the lessee and the lessor.

#### **LEASED OR OWNED EQUIPMENT IN NONOPERATING PROPERTY**

Property of a centrally valued taxpayer that is not used as part of the operating property of the taxpayer, whether owned or leased, should not be valued by the Department and is to be locally assessed. This property is referred to as “nonoperating” or “other” property on the balance sheet of the centrally valued taxpayer. The taxpayer should report this property to the Assessor’s Office. Any questions concerning the leased property or nonoperating property of a centrally valued taxpayer should be directed to the Centrally Valued Property Unit of the Department.

#### **LEASEHOLD IMPROVEMENTS (TENANT IMPROVEMENTS)**

Leasehold improvements are fixed improvements to the land or structures, installed and paid for by a tenant or lessee. Commonly, leasehold improvements are the original installation of finished tenant space in a construction project, subject to periodic change for succeeding tenants. These improvements might consist of items such as storefronts, floor covering, dropped ceiling, lighting, and air conditioning. Leasehold improvements generally meet the definition of real property, (i.e., attached to the building and cannot be removed without damaging it or the real property with which it is being used). However, in some situations it may be convenient for both the taxpayer and the County Assessor to list and assess certain leasehold improvements on the Personal Property Tax Roll.



If leasehold improvements are reported by the taxpayer, the Assessor should determine whether those improvements have been included in the value of the real property in which they are installed. That review is necessary to avoid double taxation of leasehold improvements on both the real and personal property tax rolls. When using the Construction Cost system to list a building with leasehold improvements, it is important that the interior not be separated from the rest of the building. The depreciation table used by the Construction Cost system is based on an entire building, not on just the shell. Listing the interior of a building separately from the shell will cause both the structure and interior to be undervalued.

If a new tenant occupies a building and remodels the interior, the standard interior would not be changed. If the tenant adds any leasehold items that are not included in the standard interior, or if an above-standard interior is added, those additional structural items may be listed on the Personal Property Tax Roll, and assessed to the tenant. If the income approach is used to value the real property, the comparable rent amounts used to establish market rent should include buildings with standard interiors. The same is true when using the sales comparison approach. Only sales of similar properties with similar interiors should be used.

### **LIBRARIES - COMMERCIAL**

Commercial libraries, such as those of accountants, architects, broadcasters, engineers, entertainers, lawyers, medical professionals, and related occupations, are taxable. These libraries may consist of hard and soft cover books, CDs, microfilm, and microfiche. Library contents are valued according to Valuation Table 1 with a ten-year life.



### **REBUILD or REFURBISHMENT**

After a period of use, equipment may need to be rebuilt or refurbished. Each rebuild situation is unique, and the extent and nature of the rebuild must be examined by the Assessor to determine the effect, if any, on the value of the equipment. Some questions that must be answered in order to make a determination of value are:

1. Is this a repair, or a rebuild?
2. Does the rebuild add to the life of the equipment?
3. Is the equipment being upgraded to do more than when the equipment was new, or perform a different function?

Generally, the costs of rebuilds are taxable if the life of the equipment is extended, or if the equipment is upgraded or enhanced. The cost of the rebuild would also be a consideration in the decision. The Assessor may choose to remove a portion of the cost of the original equipment, if the portion of the cost of the original equipment that is being replaced can be specifically identified. The Assessor may also choose to change the effective age of the equipment to reflect additional life that is added by the refurbishment.

Equipment that is temporarily out of service while being rebuilt is not considered Construction Work In Progress (CWIP), and such equipment is taxable during the time it is being refurbished.

### **SECURITY SYSTEMS**

Intrusion alarm security systems are not included in the Construction Cost system. To assure that those items are assessed, they should be treated as personal property. Intrusion alarms should be valued using Valuation Table 1 with a five-year life.



## **SEMICONDUCTOR EQUIPMENT**

The semiconductor schedule is intended to apply to manufacturing equipment used in the production of semiconductor products. A single schedule has been selected for all product lines within the industry, rather than establishing separate schedules. The schedule for semiconductor personal property was developed to be representative of the most probable life of a wide variety of equipment specifically used in semiconductor manufacturing.

The semiconductor schedule should not be used for equipment which is not an integral part of a semiconductor manufacturing facility. For example, it should not be applicable to equipment used by outside suppliers for the manufacturing or combining of chemicals, even though the chemicals may later be sold to and used by a semiconductor manufacturer. Such equipment is not industry specific.

This schedule applies to all front-end (crystal growing, photo mask, and wafer manufacturing) and back-end (assembly, die assembly, wire bonding, encapsulation, final test, and burning) equipment. It also applies to specialized services dedicated to production equipment, such as clean rooms, electrical services, chemical and gas lines, deionized water plumbing, product pilot-line equipment, and equipment that is used to produce prototypes of new devices that are to be manufactured.

Technical change is the primary factor leading to the decline of equipment value in the semiconductor industry. A five-year life applies to equipment used for semiconductor manufacturing, research, and development. Manufacturers may have items of equipment located in a facility that have different lives than other equipment in the same facility. The five-year life was established to be an average of all the manufacturing equipment typically used in the industry. (See five-year life on Valuation Table 2 in Chapter 10.)

**Note:** For semiconductor manufacturing - discrete process - use a five-year life on Valuation Table 1.



### **SIGNS (other than Billboards)**

Signs are valued according to Valuation Table 1, 10 year life.

### **SPARE PARTS**

Spare parts that were acquired as part of an equipment package and that are included in the cost of that package should not be reported separately as taxable personal property. The cost of those spare parts are included with the total acquisition cost of that equipment. Spare parts that have been acquired separately from the purchase of the equipment are considered supplies, and should be reported as taxable personal property.

### **SUPPLIES**

Supplies means items or materials consumed in the operation of a business, but does not mean items of raw material or inventory exempted from taxation by the Arizona Constitution. Supplies are valued at 100 percent of cost. Additional statutory depreciation does not apply to supplies. All supplies on hand on December 31 must be reported using either DOR Form 82520 or Form 82520A. All supplies must be included, even if they were reported in prior years. They include, but are not limited to, office supplies and stationary, lubricants, fuels, spare and replacement parts, tires, and fertilizers.

Supplies does not include inventory held for sale, or raw materials that constitute the inventory of a wholesaler or retailer in the state who is principally engaged in the resale of those items. The presence of a name or logo on supply items does not diminish the value to the owner of the items.

Animal and poultry feed, including salts, vitamins, and other additives for animal and poultry consumption, were exempted from taxation by the legislature for the 1991 and subsequent tax years.



Consumable items held for sale are considered inventory. The important factor in determining whether an item is a supply or an inventory item is whether or not the item is typically held for sale by the business or manufacturer. Office supplies, for example, would be considered as inventory to a business which sells those office supplies, but would normally be considered supplies to a business office or to another type of retail store. Parts that are kept on hand to repair and maintain existing equipment are considered to be supplies if they were not acquired in the acquisition cost of an equipment package. Items that are consumed in processing, but which have a primary function other than that of the product or service in which they were used, are considered supplies.

### **TOOLS, MOLDS, DIES AND JIGS**

The appraiser will have to determine from the individual manufacturer the average life of the equipment used in current production before applying the factor from Valuation Table 7. Pertinent information concerning the economic life of such types of equipment should be supplied to the County Assessor by the property owner if it is to be considered when the property is valued. That information is subject to verification by the County Assessor.

### **USED EQUIPMENT**

Used equipment will be valued based on its acquisition cost and the date it was acquired, in most cases. Illustrations of several techniques for the valuation of individual items of used equipment, and the used equipment of an entire business, are included below as guidelines.

As a general rule, used equipment value is based upon its acquisition cost to the current owner. In some cases, such as when that property's acquisition cost does not represent an arm's-length transaction, other methods may be used to value the property.

**Individual Used Equipment Items.** For individual items of used equipment, the following valuation methods are suggested:



1. If the date of acquisition and the acquisition cost to the current owner are known, the appraiser should:
  - a. Establish that the acquisition cost is consistent with the current RCNLD for similar equipment of the same age.
  - b. Estimate the remaining economic life of the equipment, or determine that the condition of the property will permit depreciating as if new.
  - c. Enter the purchase price as the acquisition cost into the personal property valuation system.
  - d. Enter the current owner's year of acquisition.
  - e. Enter the estimated remaining economic life of the used equipment as the expected life. The computerized personal property valuation system will then override the date of acquisition, and compute a value based on the acquisition cost and the estimated remaining economic life for the used equipment as if it were new.
2. If a new owner provides documentation supporting the acquisition cost and year acquired as reported by the former owner:
  - a. Enter the original acquisition cost and year acquired into the computerized personal property valuation system.
  - b. The system will then compute a value based on that original acquisition cost and date in the same manner as for any other equipment.
3. If the reported acquisition cost for equipment is inconsistent with the current RCNLD for similar used equipment, and if the appraiser knows the year of acquisition when the equipment was new, the following alternative method may be used to determine value for the equipment:
  - a. Compute the acquisition cost new that would result in a current RCNLD if factored back to the original acquisition year.





- b. Enter the calculated acquisition cost new and known acquisition year when the equipment was new into the personal property system. This information will be used as the basis for continuing the valuation process for that equipment.

This last method should only be used as an alternative when the other methods cannot reasonably be used.

**Used Equipment Acquired With Business.** For used equipment that was acquired as part of an entire business, the following methods are suggested.

1. If the new owner reports the acquisition cost of used equipment which was stated separately from the other property in the transaction, the appraiser should:
  - a. Estimate the remaining economic life of the personal property, based on consideration of the dominant categories of machinery and equipment acquired with the business.
  - b. Enter the current owner's year of acquisition, and acquisition cost of the used equipment as a single lot or lump sum. The valuation system will then compute values based on that information utilizing the personal property valuation schedules.
2. If the new owner provides documentation supporting the acquisition cost and year acquired as reported by the former owner, the taxpayer's reporting and valuation of the used equipment would continue as if there were no change in ownership.
3. If there is not a reliable breakdown of the acquisition cost of the entire business for the personal property portion, the appraiser should determine if a field inventory of personal property items is necessary to establish a current list of personal property and current values for that property. If acquisition costs to the original owner of the property are not known, and costs to the current owner cannot reasonably be determined, appraised values determined by the appraiser may be entered using the current year of acquisition, and current appraised value for those property items.



## **VAULTS AND VAULT DOORS**

Vaults are normally considered to be part of a building, and are usually classified as real property. Vault doors may be assessed as real or personal property, depending on their ownership. If the door is owned by the owner of the building in which the vault is located, it will be valued as part of the vault, which is real property. If, however, the building is leased and the vault door is owned by the tenant, the vault door will be valued and assessed as personal property in the same manner as portable vaults or safes.

Vault doors, including inner gates, are usually found in buildings occupied by banks and other financial institutions. If assessed as personal property, vault doors will be valued by using Valuation Table 6 with a fifty-year life.

## **VEHICLE MOUNTED EQUIPMENT**

Vehicle mounted equipment is defined as equipment which, once installed, creates a definite interior or exterior change to the vehicle, and is not easily removable. Some examples of vehicle mounted equipment are: MRI, satellite broadcast equipment, concrete pumpers - with or without attachments, concrete mixers, cranes, booms, loaders, water-well rigs (including rotary drilling), fuel tank haulers with service equipment for off-highway vehicles, generator / welding equipment units, drilling exploration units on a three or four-axle vehicle, trash and sanitation truck equipment - except container haulers and telescopers.

Dealer modifications prior to the initial sale of the vehicle are generally included with the MVD's in lieu vehicle license tax (VLT) and should not be valued by the Assessor. If the vehicle-mounted equipment is not included in the VLT, the Assessor should include the value of the equipment on the appropriate table. The County Assessor can ask for a copy of the registration of a vehicle to determine if the vehicle-mounted equipment is included in the VLT.



### **VIDEO TAPES, GAMES, DVDs - RENTAL**

Rental video tapes, games, and DVDs are assigned an acquisition cost of \$7.00 per item. They are then depreciated over a two-year life according to Valuation Table 5 for a two-year life in Chapter 10. Rental video tapes, games and DVDs in the applicable subclasses of Legal Classes One and Two are eligible to receive additional statutory depreciation, pursuant to A.R.S. §§ 42-13054 and 42-13353. The owner shall report the number of rental video tapes, games and DVDs on hand as of December 31 of the preceding year. If the owner is reporting for the first time and has video rental tapes, games and DVDs acquired in a year other than the preceding calendar year, the year of acquisition and number of tapes, games and DVDs acquired in each prior year should be reported on the Arizona Business Property Statement (DOR Form 82520). If the owner has reported for the prior tax year, those previously reported items will be listed on the statement. Additions or deletions of rental video tapes, games and DVDs during the preceding calendar year should be reported for the current tax year.

### **WALK-IN COOLERS OR FREEZERS**

Walk-in coolers or freezers constructed of prefabricated panels are appropriately classified as business personal property, based on the following:

1. Most walk-in coolers and freezers constructed in the last fifteen to twenty years are constructed from prefabricated panels, with glass display doors and dedicated mechanical equipment.
2. The walk-in coolers and freezers are purchased for and / or by the business owner, and not by the owner of the building. (Many new stores are in leased locations.)
3. When a store is remodeled, the size and location of walk-in coolers and freezers are often changed within the store.
4. When a store terminates operations at a location, the walk-in coolers and freezers are generally relocated or disposed of by the business owner.



**DEPARTMENT OF REVENUE**  
Property Tax Division

**PERSONAL PROPERTY MANUAL**

Chapter 5

**Special Properties**

Effective: January 1, 2005

Portable coolers or freezers are considered to be personal property. When a building contains a walk-in cooler or freezer that was constructed as part of the building and is permanently annexed into the building, the unit should be classified as either real property or as a leasehold improvement. Walk-in coolers and freezers assessed as personal property will be valued by using Valuation Table 1, with a ten year life.

**WATERCRAFT**

Watercraft that are registered for operation in Arizona, other than those watercraft owned and operated for any commercial purpose, are exempt from ad valorem property taxes. This exemption, granted by the Arizona Constitution, Article 9, Section 16, establishes that only commercially-owned and operated watercraft, and unregistered watercraft are subject to ad valorem taxes. Jet skis, houseboats, and other pleasure watercraft are also taxable if owned and operated commercially. Valuation information on taxable watercraft is normally provided by the owner. If the value of the watercraft is not known by the owner, the National Boat Book, published by National Market Reports Inc., or other similar reliable valuation guide books, can be used to establish a current value.